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SIPDIS

DEPARTMENT FOR SA/INS, INL
JUSTICE FOR OIA, AFMLS, AND NDDS
TREASURY FOR FINCEN

E.O. 12958: N/A

TAGS: [SNAR](#) [EFIN](#) [PGOV](#) [PREL](#) [CE](#)

SUBJECT: 2002-2003 International Narcotics Control
Strategy Report (INSCR) Part II Financial Crimes and Money
Laundering - Sri Lanka

REF: (A) 02 STATE 240035

(B) 02 COLOMBO 2314

(C) 02 COLOMBO 2304

1. Provided below is response to ref A request for information on Sri Lanka's regulations and practices regarding financial crimes and money laundering.

2. Sri Lanka is neither an important regional financial center nor a preferred center for money laundering. There is no significant market for black market goods. Government policy and practice do not encourage or facilitate laundering proceeds from illegal drug transactions, serious crimes or terrorist financing. While Sri Lanka recently experienced a failure of a small savings bank due to fraud by senior bank officials, there has been no evidence linking their activities to money laundering or terrorist financing. Nothing suggests that Sri Lanka's financial institutions engage in currency transactions involving international narcotics trafficking.

Money laundering

3. Money laundering per se is not a criminal offence. As of January 2003, a draft law to deal with money laundering has been approved by the Central Bank and sent to the Ministry of Justice for review and presentation to cabinet and parliament. Currently, financial transactions relating to terrorism and narcotics are illegal under Central Bank regulations and Bank Secrecy laws. In December 2001, the Central Bank introduced regulations on customer due diligence. However, the Central Bank continues to allow the operation of bearer certificates (i.e. nameless certificates of deposits).

Terrorist Finance

4. Based on UN Regulation 1 of 2001 (made by the Minister of Foreign Affairs of Sri Lanka on October 16, 2001) terrorist financing is an offense punishable by imprisonment for a period of 5 to 10 years. The Central Bank of Sri Lanka has circulated the list of individuals and entities that have been included on the UN 1267 Sanctions Committee's consolidated list with instructions to identify, freeze and seize terrorist assets. To date no such assets have been identified. Sri Lanka has signed the 1999 convention for the suppression of the financing of terrorism.

Offshore financial centers

5. Sri Lanka is not considered an offshore financial center. Offshore banking units are allowed to operate as a part of a commercial bank operating in the country in order to facilitate trade finance. They are subject to Central Bank supervision. Bearer shares are not permitted for banks and companies.

International Cooperation

6. Sri Lanka is a party to the 1988 UN Drug Convention and the 1999 international convention for the suppression of terrorist financing.

Asset forfeiture and seizure legislation

7. Regulations under the United Nations Act no 45 of 1968 provide for freezing and forfeiture of assets of financiers of terrorism. There is no specific provision in law to freeze and forfeit narcotics related assets. Trafficking, possessing, importing or exporting of narcotics is punishable by death or life imprisonment under the Poisons, Opium and Dangerous Drugs Ordinance (OPDDO). Draft amendments to OPDDO and a separate draft money-laundering bill are expected to include asset forfeiture and seizure

provisions for narcotics related crimes and money
laundering.

Wills